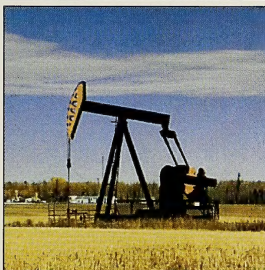
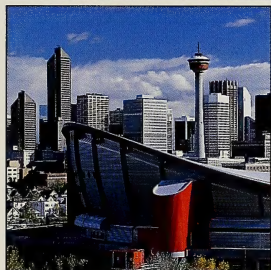



ALBERTA

Canada's Energy Province

Alberta's Energy Industry: A Model for Prosperity




ALBERTA 
ADVANTAGE



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Alberta's Energy Industry: A Model for Prosperity



Edmonton

Calgary

ALBERTA AT A GLANCE

Population: 2.7 million
 Size: 66 million hectares
 Edmonton: Provincial Capital
 Calgary: Major Business Centre

ALBERTA GDP AT MARKET PRICES:*

1994	1995	growth
\$74.9 billion	\$76.5 billion	2.1 %

ALBERTA MINING AND MINERAL EXTRACTION AT FACTOR COST:*

1994	1995	growth
\$14.4 billion	\$14.7 billion	2.1%

NATURAL RESOURCE ROYALTIES, AT FACTOR COST:*

1994	1995	growth
\$3.2 billion	\$3.5 billion	9.3%

ENERGY INDUSTRY AS PERCENTAGE OF ALBERTA'S GDP AT FACTOR COST:

1994	1995
26.0%	26.4%

* In 1986 constant dollars.

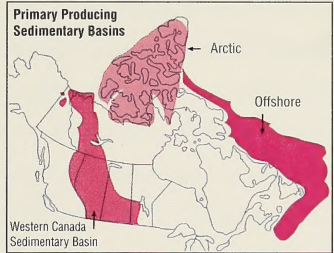
ALBERTA

Canada's Energy Province

ALBERTA'S ENERGY INDUSTRY: A MODEL FOR PROSPERITY

Deep beneath the mountains, prairies and forests of Alberta, Canada lies a sedimentary basin that holds vast reserves of crude oil, natural gas, coal and oil sands, one of the largest known hydrocarbon accumulations in the world.

These reserves were almost unknown until 1947 when a major oil discovery at Leduc, near our province's capital, touched off an oil and gas development boom that has continued for 50 years. Today, Alberta is Canada's energy province and among the top 10 oil producers in the world. Alberta produces 72 per cent of Canada's conventional oil, 86 per cent of its natural gas, 49 per cent of its coal, and 100 per cent of its synthetic crude oil.



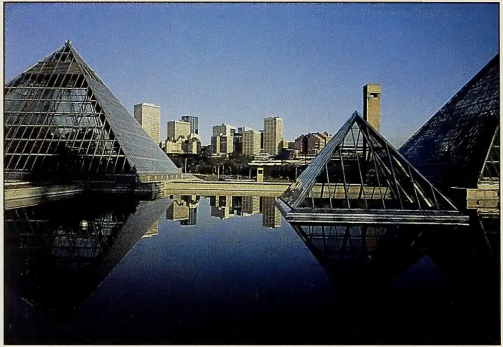
Alberta recognized that with a close partnership with private industry and careful management of exploration and development, these resources could bring prosperity to all citizens of the province. Private industry brings the investment, business know-how and entrepreneurship required for efficient development.

This government-industry partnership has created a dynamic energy industry that is a foundation for Alberta's economy. The petroleum industry alone employs 175,000 Albertans and has annual expenditures of more than \$20 billion. What's more, Alberta's abundant domestic energy supply powers economic development across the province and all of Canada, providing industry with the low-cost electricity and fuels needed for modern industrial development. The resulting prosperity has enabled Albertans to enjoy one of the most vibrant economies in North America and the lowest overall taxes in Canada.



Drilling rig platform.

Alberta has been an important source of energy supply for several decades. Its approach to exploration and development has proven to be highly successful. The Alberta model for energy development shows that publicly owned energy resources developed by private industry can bring economic prosperity and social benefits to a country. Governments and regulators from around the world have come to Alberta to learn about how government and industry are working together.



City of Edmonton

GOVERNMENT STRUCTURE

Canada is a federal state with 10 provinces and two territories. Under Canada’s constitution, the provinces own and manage their natural resources, including energy resources. In the natural resources area, the federal government is essentially responsible for activities related to interprovincial and international trade and transportation. Alberta’s energy resources are managed by the Government of Alberta on behalf of the people of Alberta.

GOVERNMENT OF ALBERTA

Ministry of Energy

The Alberta Ministry of Energy has primary responsibility for development and administration of energy policies, legislation and regulations. It comprises the Department of Energy and the Alberta Energy and Utilities Board. Both report to the Minister of Energy. Together they ensure that Alberta’s energy resources are developed in the public interest in an environmentally responsible manner.



Alberta Provincial Legislature

Department of Energy

The department has a vital role in managing Alberta’s energy resources for the benefit of Albertans. It manages mineral rights, administers mineral agreements, and collects revenue and royalties to ensure

that the people of Alberta receive a fair return. The department provides the government with policy recommendations and advice on energy matters. It administers energy-related research and development programs and is an advocate for the energy and mineral sectors within the government, the province and in other jurisdictions.

Alberta Energy and Utilities Board

The Alberta Energy and Utilities Board is recognized internationally for its fairness and balance. The Board has nearly 50 years of regulatory experience in the energy resource sector. The Board ensures that energy resource development takes place in a responsible manner and in the public’s interest and that Albertans receive safe and efficient utility service rates that are fair and reasonable. The Board regulates all aspects of production from drilling procedures and facility operation to utility service rates.

Alberta Environmental Protection

In addition, there is a second department of the Alberta government that has an important role to play in energy development. Alberta Environmental Protection works closely with the Ministry of Energy to preserve and enhance Alberta’s natural environment and identify and designate protected natural areas. It promotes sustainable development practices. Public input is actively sought in these processes. The department ensures that Alberta industries develop natural resources in an environmentally responsible way by prescribing environmental impact assessments and enforcing environmental regulations.



Industry develops energy resources in an environmentally sound manner.

Federal Government

With energy resources owned by the provinces, the federal government’s role in energy is restricted primarily to interprovincial and international related energy matters. The principal federal agencies are Natural Resources Canada, the National Energy Board and Environment Canada.

THE ALBERTA MODEL FOR ENERGY DEVELOPMENT

Over the last 50 years, Alberta has developed a model for the exploration and development of its resources. The model is based on the principle that publicly owned energy resources can be more efficiently developed by private industry. This model for our development has been a major factor in the prosperity that Albertans enjoy today. The model has four components, which together produce a vibrant industry that works with government to assure the orderly and timely development of Alberta's energy resources.

Access to resources — Rights to explore for and develop oil and gas are leased to private sector companies by the Department of Energy through licences and leases, usually through public tender to the highest bidder, with few exceptions.

Fair economic return to the resource owners — As owners of the province's natural resources, the people of Alberta receive a fair return on the production of oil, natural gas, coal, oil sands and other minerals. These funds help pay for essential public services for Albertans like health care and education.

Effective regulatory framework — The Alberta Energy and Utilities Board reviews and approves the technical, environmental, social and economic benefits of energy resource projects.

Environmental protection — An environmental assessment process ensures that environmental protection standards are considered in project planning, and that a balance is achieved among resource development, conservation and protection, and maintenance of public lands and resources.

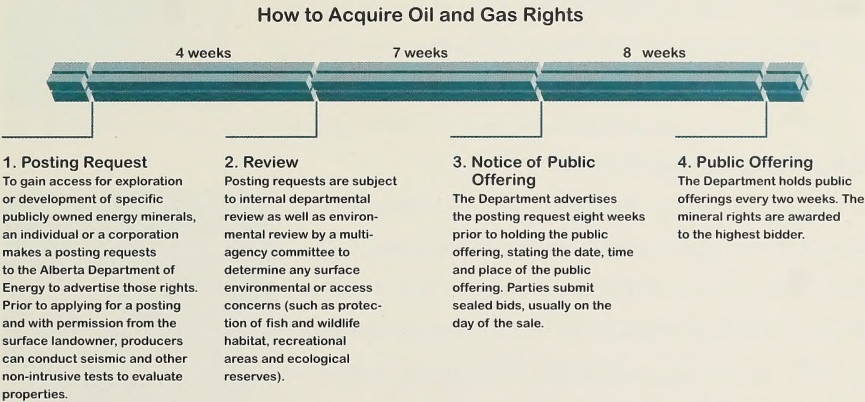
Industry access to resources

The Department of Energy grants petroleum sector companies the rights to explore for and develop oil and gas through petroleum and natural gas leases or licences. The agreements grant the rights to drill and produce oil and gas within a specific location. They do not convey rights to the land surface, which must be negotiated with individual landowners.



Geological field work.

The most common method of acquiring an agreement from the Alberta government is through public tender, which is routine, open and competitive. Producers are allowed to conduct seismic and other non-intrusive tests to evaluate properties, with permission from the surface landowner, before applying for a posting for exploration and development. Each request for a posting undergoes an environmental review by a multi-agency committee to determine any surface environmental or access concerns.



Royalties and other fees

Alberta's conventional oil and natural gas royalty partnership ensures a fair sharing of the value of the resource between the people of Alberta as the owners of the resource and the private companies who develop the resource. Alberta's royalty system is stable, predictable and responsive to economic changes in our market-based economy.

Generic royalty formulas are applied monthly to each of the main energy commodities: conventional oil, natural gas, oil sands and coal. Royalty rates are based on the value of the product. For example, rates are set lower for heavy oil to recognize its lower value.



Private industry and government work in partnership.

The self-adjusting conventional oil and natural gas royalty formulas provide lower royalty rates as well productivity and oil prices decline. In addition to reducing the fiscal risk to the producer, this encourages

investment in wells that are marginally economic due to production or price factors, helping to maintain the value of the resource for Albertans. Production sensitivity extends the economic life of the reservoirs.

The royalty formulas for oil sands and coal recognize that up-front capital costs are very high for development of these deposits although there is little ongoing exploration expense. A low royalty rate therefore applies in a project's early years, with an increased royalty share for the government after developers have recovered their costs.

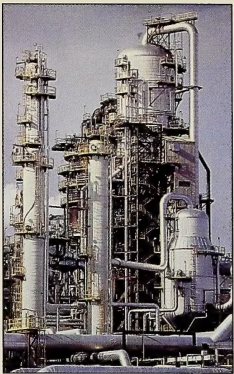
Regulatory enforcement

As a quasi-judicial agency, the Alberta Energy and Utilities Board administers statutes which govern Alberta's oil, natural gas, oil sands, electric energy, coal and pipelines and regulates all aspects of production from drilling procedures to environmental standards. It reviews and approves proposed energy projects in Alberta and monitors ongoing, daily operations in the energy sector. The Board has a surveillance and enforcement presence in the field, which provides a fundamental integrity to Alberta's energy resource regulatory system.

The Board is charged with ensuring that energy development is carried out in an orderly and efficient manner that protects the public interest. The Board holds public hearings to resolve issues where a proposed energy development has the potential to impact other parties. It maintains an extensive information database on all provincial energy resources, which is accessible to the public. The Board's field inspection teams focus on safety and environmental factors as well as production surveillance.

Environmental Protection

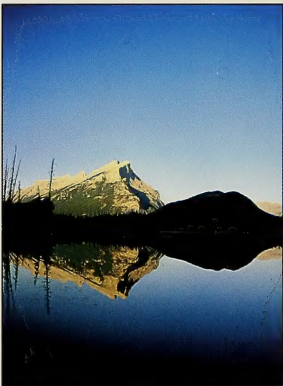
In Alberta, responsible resource development requires projects to be technically safe, environmentally acceptable and supportive of Alberta's long-term land-use goals. The provincial regulatory requirements for energy exploration and development are among



Bitumen upgrader.



Geologist examining core samples.



Mount Rundle, Banff National Park

the most comprehensive and stringent in the world and involve a collaborative effort among the Alberta Energy and Utilities Board, Alberta Environmental Protection and the Department of Energy.

Keeping pace with the growth of the energy industry, the regulatory regime ensures that the exploration, development and production of Alberta's natural resources takes place in an environmentally responsible manner. This reasonable balance between economic and environmental objectives fosters sustainable energy development.

Through its integrated resource management approach, Alberta is positioned for optimal, long-term use of the province's natural resources to maximize the benefits for Albertans. It is recognized that the management and use of one resource can affect the management and use of another.



Environmentally sound resource upgrading.

Alberta's integrated resource planning process provides a clear framework for decisions pertaining to public lands and resources throughout the province. It strives to achieve a balance among development, recreation, conservation and protection by identifying, assessing and comparing all resource values within the area.

Alberta's 20 years of experience with this collaborative multi-stakeholder process has resulted in early identification and resolution of land-use conflicts, in-depth

public consultation, and incorporation of environmental values within the resource management decision-making process. The

views of relevant government departments, municipal authorities, the

federal government, industry, aboriginal peoples, special interest groups and the general public are sought and considered. Integrated resource plans are developed at regional, sub-regional and local levels, and are reviewed every five years to ensure their relevance and effectiveness.

The province has been successful in communicating the regulatory conditions and expectations that apply to the energy industry through all stages of oil and gas development. As a result, industry has been able to develop innovative techniques to minimize negative environmental effects.

Alberta is a world leader in environmental technologies, especially in reclamation of mining operations (fine tailings), and in removal of sulphur from flue gas in smokestacks.



Alberta has a thriving wildlife population.

MODERN INFRASTRUCTURE

Alberta has developed a solid infrastructure to serve the energy industry, including a superior highway, railway and telecommunications network and an extensive oil and natural gas pipeline system stretching 250,000 km and providing access to North America's major markets.

Alberta's refineries process the province's conventional and synthetic crude oil. Some 16,000 companies provide service and specialty equipment to the energy industry using the latest technology

and drawing upon the province's highly skilled workforce. Alberta's primary steel, metals and machinery industries produce energy-related equipment, with exports to more than 30 countries. Alberta's electronics industry is widely recognized for oil and natural gas field electronics, telecommunications and testing equipment.

There are more than 700 natural gas processing plants in Alberta. Alberta's petrochemical industry produces more fertilizers than any other province in Canada.

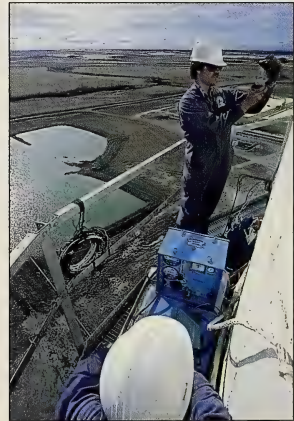
Petrochemical companies also convert natural-gas-based petrochemicals into anti-freeze, adhesives, paints and textiles.

Coal reserves in Alberta, estimated at 2,600 gigatonnes (one gigatonne equals one billion tonnes), provide fuel that generates 90 per cent of the province's electricity. This keeps Alberta's electricity rates among the lowest in the world. Four companies and their 12 mines produce metallurgical and thermal coal for use in Canada and for export.

Alberta's energy companies are on the leading edge of research and technology. They have adapted technology for use in the hostile climate of the high Arctic and offshore. They also provide oilfield services and products to dozens of countries around the world. The province has nurtured the creation of world-class research



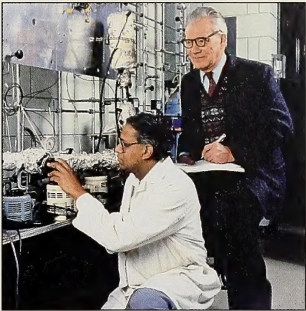
Pipeline construction.



Monitoring a flare stack.

and development facilities, resulting in break-through technologies in extraction processes and environmental control.

The support given by the energy industry to our universities and technical schools has helped bring international acclaim to our province and has enhanced the high quality of education available to Albertans. The government collaborates with industry in supporting energy-related research at universities and institutes. The relationship between industry and our institutions has led to development of many new technologies, companies and processes that have helped to maximize the potential of Alberta's energy industry. These Alberta innovations have far-reaching application and Alberta companies are applying their know-how world wide.

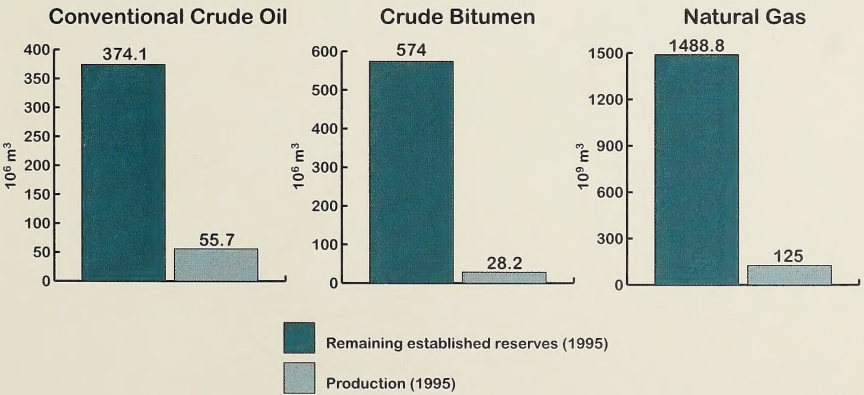


Environmental control research.



Research and development help maximize Alberta's energy potential.

The Province of Alberta supports free-market policies and is an advocate for free trade. It is a Canadian leader in fiscal responsibility, operating within a deficit-free, balanced budget. Alberta is proud of the model it has developed over 50 years and wants to share its expertise with other countries.



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Further information about the Alberta Energy Ministry is available on our Internet Websites

Department of Energy <http://www.energy.gov.ab.ca>

Alberta Energy and Utilities Board <http://www.eub.gov.ab.ca>

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